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Businesses

For
Local Officials

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Tax Professionals

Home > Businesses > Help & Resources > Legal Library > Letter Rulings > Letter Rulings - By Year(s) > 1984 and Prior > 1979 Rulings >

Letter Ruling 79-13: Limited Partnership Dealing in Securities; Partners, Individual and Corporate, Resident and Non-Resident

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June 6, 1979

This is in reply to your request for certain rulings with respect to ***** (the "Fund").

The Fund is a limited partnership organized under the Nebraska Uniform Limited Partnership Act. The Fund operate as an open-end diversified management investment company and will be registered with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940 (the "1940 Act"). The Fund has received rulings from the Internal Revenue Service to the effect that the Fund will be treated for federal income tax purposes as a partnership and not as an association taxable as a corporation. The principal offices of the Fund are in Boston, Massachusetts and in Lincoln, Nebraska.

The Fund has four initial General Partners. Three of such initial General Partners are individuals; the other General Partner is a corporation. ***** Prior to the effective date of the Fund's prospectus, at least seven individuals (at least a majority of whom will not be affiliated with [the corporation] will serve as General Partners, together with the corporation.

The objective of the Fund will be to seek for the holders of its shares of partnership interest ("Shares") a high level of current income consistent with the preservation of principal. Shares will be publicly offered to investors in exchange for cash. A Registration Statement relating to the Shares has been filed with the SEC under the Securities Act of 1933.

The Fund will seek to achieve its objective by investing in a diversified portfolio of Securities issued by the United States government, or its agencies or instrumentalities, the interest from which will be exempt from state and local income tax. Specific investment and operating limitations on the Fund are set forth in Section II of the Certificate and Agreement of Limited Partnership (the "Agreement").

Investors will be able to purchase Shares by mail or by wire or through brokers without any sales charge by the Fund. The minimum initial investment in the Fund for each investor will be \$1,000, but subsequent investment may be in any amount.

Under the Agreement, the General Partners are divided into two classes: Managing General Partners and a Non-Managing General Partner. Only individuals may act as Managing General

Partners, and all individual General Partners will act as Managing General Partners. The Fund will be managed solely by the Managing General Partners, who will have the power to engage banks, trust companies, or investment advisers for the performance of such functions as the Managing General Partners may determine, subject always to their continuing supervision. The Managing General Partners will act only by majority vote. All Managing General Partners will be subject to election and removal by vote of all Partners.

The Managing General Partners will determine from time to time the number of persons to be elected as Managing General Partners, provided, however, if at any time the number of Managing General Partners is reduced to less than three, the remaining Managing General Partners will call a meeting of Partners for the purpose of electing an additional Managing General Partner or Managing General Partners so as to restore the number of Managing General Partners to at least three.

The Non-Managing General Partner will not, in that capacity, take part in the management, conduct or operation of the Fund's business and shall have no authority to act on behalf of or to bind the Fund, except during certain temporary periods when there are no Managing General Partners and a meeting of partners has not yet been held to determine whether to continue the business of the Fund.

A Limited Partner will have no right to take part in the control of the Fund's business but may exercise the rights and powers of a Limited Partner under the Agreement, including, without limitation, the voting rights and the giving of consents and approvals provided for in the Agreement and required under the 1940 Act for voting security holders. Limited Partners of the Fund are specifically authorized to vote on certain matters, including the election or removal of General Partners, the approval or termination of investment advisory contracts, and the approval of auditors, in reliance upon certain provisions contained in The Uniform Limited Partnership Act of Nebraska.

A purchaser of Shares will have no right to receive distributions with respect to the Shares until such purchaser has executed and returned a partnership authorization containing a power of attorney in an acceptable form.

Shares may be redeemed by Limited Partners at net asset value without redemption fee, subject to a limited right of the Managing General Partners to suspend redemptions and defer payment. Additionally, it is expected that, under normal circumstances, the Fund will maintain a continuous offer to repurchase its Shares. It is also expected that the General Partners will make redemptions or repurchases only for cash.

Section V(k) of the Agreement provides that Shares held by the General Partners may not be assigned except, with the consent of the Managing General Partners, to other General Partners.

Section IX(b) and (c) of the Agreement set forth the relevant rules with respect to assignments of Shares by Limited Partners and substitution of assignees as Limited Partners. In essence, they provide that a Limited Partner shall not have the right to transfer or assign his Shares to any other person except to pledge them as collateral. Furthermore, in the event of the death or insanity of a Limited Partner the successor in interest shall have the right, upon presentation of satisfactory evidence, (i) to redeem the Shares of the Limited Partner; (ii) to receive distributions with respect to such shares; and (iii) to be substituted as a Limited Partner upon the compliance with the conditions of admission of a Limited Partner.

Based on the foregoing it is ruled:

1. The Fund will not be a "corporate trust" . . . "the beneficial interest of which is represented by transferable shares" as defined in General Laws Chapter 62, Section 1, but rather will be a partnership under General Laws Chapter 62, Section 17 which itself is not subject to income taxation in Massachusetts.

2. The activities of the Fund, as set forth in the Prospectus, constitute engaging exclusively in buying, selling dealing in or holding securities on its own behalf and not as a broker, and thus, pursuant to General Laws Chapter 62, Section 17(b) nonresident individuals or corporate trusts

which are Limited Partners will not be subject to income taxation in Massachusetts on their distributive shares of the income received or earned by the Fund, provided that the Fund continues to engage exclusively in such activities.

3. Nonresident corporate Limited Partners of the Fund which are not engaged in business in Massachusetts will not be subject to Massachusetts corporation excise or income tax on their distributive shares of Fund income and gain.

4. Massachusetts resident partners of the Fund will be exempt from Massachusetts taxation on their distributive shares of the Fund's interest income from Securities issued by the United States government, or its agencies or instrumentalities, provided such interest income is exempt pursuant to 31 U.S.C. Section 742.

Very truly yours,

/s/L. Joyce Hampers

L. Joyce Hampers
Commissioner of Revenue

LJH:JJW:FC

LR 79-13